Paras Defence and Space Technologies Limited

April 02, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term / Short-term Bank Facilities	18.00	**CARE BB-; Stable; / CARE A4 ISSUER NOT COOPERATING* (Double B Minus; Outlook: Stable; / A Four) ISSUER NOT COOPERATING***	Issuer not cooperating; Based on best available information
Short term Bank Facilities	10.00	**CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)**	Issuer not cooperating; Based on best available information
Total	**28.00 (Rs. Twenty Eight Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Paras Defence and Space Technologies Limited to monitor the rating(s) vide e-mail communications/letters dated March 22, 2018, February 06, 2018 and January 08, 2018 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Paras Defence and Space Technologies Limited's bank facilities will now be denoted as **CARE BB-; Stable/CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings take into account the relatively modest scale of operation with low capitalization, leveraged capital structure & weak debt coverage indicators, working capital intensive operations and exposure to high volatility in raw material prices. The ratings however, derive strength from established track record of the promoters in the industry and moderate profit margins.

Detailed description of the key rating drivers

At the time of last rating on March 31, 2017 the following were the rating strengths and weaknesses (updated for the information available from MCA website):

Key rating Weakness

Modest scale of operations: The total operating income has improved by 27.92% and stood to Rs.47.79 crore as on March 31, 2017 (vis-à-vis Rs.37.36 crore as on March 31, 2016) on account of receiving more orders from existing customers coupled with addition of new customers. However the scale of operation stood modest with coupled with low tangible networth as on March 31, 2017. The modest scale of operations and low net-worth base restricts the company's financial flexibility in times of stress and deprives it from scale benefits.

Leveraged capital structure and weak debt coverage indicator: The capital structure of the company remained weak with low net worth base and high dependence on external borrowings to support the operations. Debt coverage indicators also remained weak owing to the same despite moderate profitability.

Working capital intensive operation: Working capital intensity of PDSTL remained high owing to large amount of funds blocked in Inventory and debtors as reflected by high gross current asset days of over 294 days during last three years ending FY17. The same was partly supported by credit period received from its suppliers however, despite the same utilization of working capital limits remained moderately high.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Exposure to high volatility in raw material prices: The clients of metal trading business are local traders and small engineering parts manufacturers. The company places back-to-back orders towards procurement of goods the moment an order is received from the customer. This hedges the risk of raw material price fluctuations to an extent.

Key Rating Strengths:
Established track record of promoters in the industry: The promoters have been in the business of small-scale engineering and distribution of copper and copper alloys and manufacturing components for the domestic defence and aeronautical sectors for more than four decades.
Moderate profitability: The profitability of the entity remained at moderate level with high value added products manufactured by the entity with specific applications. However, still the margins are exposed to volatility in raw material prices with high holding period and high contribution of RM to total cost of production.

Analytical Approach: Standalone

Applicable Criteria
Policy in respect of Non-cooperation by issuer

About the company
Promoted by Mr. Sharad Shah, Paras Defence and Space Technologies Limited (PDSTL) (Erstwhile Paras Flowform Engineering Limited) was incorporated in June 16, 2009 and was majorly engaged in trading of copper, copper alloys and printed circuit boards (PCB). However, since FY15 the company is purely engaged into manufacturing of components for the domestic defense and aeronautical sectors like precision tubes/chambers, using an engineering process of flow forming. The manufacturing unit of the company is located at Ambernath, Thane.
During FY16, there was merger between Paras Gate (I) Pvt. Ltd. (which had Rs. 2 crore share capital in Paras Flowform Engineering Limited) and Neetnav Realtors Pvt. Ltd. and subsequently the name changed to the current name of the company.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	37.36	47.29
PBILDT	7.79	8.61
PAT	0.59	2.03
Overall gearing (times)	5.78	3.81
Interest coverage (times)	1.54	2.31

A: Audited;

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact:
Name: Ms. Ruchi Shroff
Tel: 022-67543554
Email: ruchi.shroff@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-Bank Guarantees	-	-	-	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4 on the basis of best available information
Fund-based/Non-fund-based-LT/ST	-	-	-	18.00	CARE BB- / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable / CARE A4 on the basis of best available information

**Issuer did not cooperate; based on best available information*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (13-Apr-16)	1)CARE BB- (13-Apr-15)
2.	Fund-based/Non-fund-based-LT/ST	LT/ST	18.00	CARE BB- / CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable / CARE A4 on the basis of best available information	-	1)CARE BB-; Stable / CARE A4 (02-May-17)	1)CARE BB- / CARE A4 (13-Apr-16)	1)CARE BB- / CARE A4 (13-Apr-15)
3.	Non-fund-based - ST-Bank Guarantees	ST	10.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A4 on the basis of best available information	-	1)CARE A4 (02-May-17)	1)CARE A4 (13-Apr-16)	1)CARE A4 (13-Apr-15)

**Issuer did not cooperate; based on best available information*

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited

(Formerly known as Credit Analysis & Research Ltd.)

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691